

**EXHIBIT NO. ___(KRK-13)
DOCKET NO. UE-060266/UG-060267
2006 PSE GENERAL RATE CASE
WITNESS: KARL R. KARZMAR**

**BEFORE THE
WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION**

**WASHINGTON UTILITIES AND
TRANSPORTATION COMMISSION,**

Complainant,

v.

PUGET SOUND ENERGY, INC.,

Respondent.

**Docket No. UE-060266
Docket No. UG-060267**

**SECOND EXHIBIT (NONCONFIDENTIAL) TO THE
PREFILED REBUTTAL TESTIMONY OF
KARL R. KARZMAR
ON BEHALF OF PUGET SOUND ENERGY, INC.**

AUGUST 23, 2006

**PUGET SOUND ENERGY-GAS
GENERAL RATE INCREASE
FOR THE TWELVE MONTHS ENDED SEPTEMBER 30, 2005
GENERAL RATE INCREASE**

1	RATE BASE	\$ 1,180,351,743
2	RATE OF RETURN	8.76%
3		<hr/>
4	OPERATING INCOME REQUIREMENT	103,398,813
5		
6	PRO FORMA OPERATING INCOME	<i>79,151,170</i>
7	OPERATING INCOME DEFICIENCY	<i>24,247,643</i>
8		<hr/>
9	CONVERSION FACTOR	62.16003%
10		
11		
12	TOTAL REVENUE REQUIREMENT	<i>\$39,008,416</i>

(Note) Amounts presented in bold italic type have changed since the July 10, 2006 revised filing.

**PUGET SOUND ENERGY-GAS
PRO FORMA COST OF CAPITAL
FOR THE TWELVE MONTHS ENDED SEPTEMBER 30, 2005
GENERAL RATE INCREASE**

LINE NO.	DESCRIPTION	PRO FORMA CAPITAL %	COST %	COST OF CAPITAL
1	DEBT	51.25%	6.65%	3.41%
2	PREFERRED STOCK	3.75%	7.61%	0.29%
3	EQUITY	45.00%	11.25%	5.06%
4	TOTAL	100.00%		8.76%
5				
6	AFTER TAX DEBT (LINE 1 * 65%)	51.25%	4.32%	2.22%
7	PREFERRED	3.75%	7.61%	0.29%
8	EQUITY	45.00%	11.25%	5.06%
9	TOTAL AFTER TAX COST OF CAPITAL	100.00%		7.57%

(Note) Amounts presented in bold italic type have changed since the July 10, 2006 revised filing.

**PUGET SOUND ENERGY-GAS
CONVERSION FACTOR
FOR THE TWELVE MONTHS ENDED SEPTEMBER 30, 2005
GENERAL RATE INCREASE**

LINE NO.	DESCRIPTION	BASE	RATE	AMOUNT
1	TOTAL OPERATING REVENUE			100%
2				
3	OPERATING REVENUE DEDUCTION			
4	OTHER OPERATIONS			0.340286%
5	OTHER TAXES			
6	STATE UTILITY	100.00%		
7		-0.340%		
8				
9	STATE UTILITY TAX	99.66%	3.852%	3.838892%
10	ALL OTHER (FILING FEE)			0.190000%
11	FEDERAL INCOME TAX:			
12	CURRENT	95.63%	35.00%	33.47%
13				
14				
15	TOTAL OPERATING REVENUE DEDUCTIONS			37.840%
16				
17	CONVERSION FACTOR			62.1600%

(Note) Amounts presented in bold italic type have changed since the July 10, 2006 revised filing.